

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0994-06
Bill No.: SCS for SB 249 & 523
Subject: Sports Stadiums: Appropriations
Type: Original
Date: April 20, 2001

FISCAL SUMMARY

ESTIMATED NET EFFECT ON STATE FUNDS			
FUND AFFECTED	FY 2002	FY 2003	FY 2004
General Revenue	(\$2,942,328)	(\$15,444,710)	(\$15,445,034)
Total Estimated Net Effect on <u>All</u> State Funds*	(\$2,942,328)	(\$15,444,710)	(\$15,445,034)

* Subject to appropriation

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2002	FY 2003	FY 2004
None			
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2002	FY 2003	FY 2004
Local Government*	\$0	\$12,500,000	\$12,500,000

* Subject to appropriation

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 7 pages.

FISCAL ANALYSIS

ASSUMPTION

SECTION 360.133: EDUCATIONAL ATHLETE FACILITIES PROGRAM:

Officials from the **Office of Administration - Division of Accounting (OA)** state that annual debt service payments for \$35 million, over 25 years at the current rate of 7.00% would be \$3,003,368 per year. This interest rate is subject to change and, for comparison, the same debt service at 5.54% would be roughly \$2,619,422 annually.

In response to similar legislation from this year, OA officials also indicated the proposal will require .25 Executive Assistant to initiate general revenue transfers to the appropriate debt service funds, reconcile all paying agent transactions for principal and interest, and monitor all fees due the paying agent. Total costs for this position including salary, fringe benefits, and equipment & expense would be \$10,328 in FY 2002; \$12,710 in FY 2003; and \$13,034 in FY 2004. Paying agent fees are expected to approximate \$2,000 annually. Officials with OA placed one-time costs per issue at approximately \$150,000, plus personal services of existing staff

Since the proposal does not state the number of years for the debt instruments, **Oversight** assumes the bonds will have a stated maturity of 20 years to be consistent with Concurrent Resolutions in both the Senate and House of Representatives from this session. Oversight notes that a 7% rate of interest is likely higher than the current market would require. Oversight estimates that bonds with a maturity of 20 years would currently require a yield of approximately 5.50%; at this rate, level debt service would approximate \$2,930,000 annually. **The required yield could vary depending on the actual market conditions at the time of issuance.**

SPORTS COMPLEXES, AUDITORIUMS, and ARENAS:

Officials from the **Office of Administration - Budget and Planning (BAP)** state this proposal would provide state funding for various new or existing sports facilities in Missouri. The table below represents the annual state general revenue costs. BAP states the payments are **subject to appropriation** and assumes that no appropriation for the first four projects listed below will be made until FY 2003. In regards to the St. Louis Sports Authority section, state payments of \$8.0 million per year would begin in FY 2005. In regards to the University of Missouri Arena, BAP defers to the Division of Accounting for the estimate of debt service of \$35 million.

ASSUMPTION (continued)

Project	FY 2002	FY 2003	FY 2004
Truman Sports Complex	\$0	(\$6,500,000)	(\$6,500,000)
Savvis Center	\$0	(\$3,000,000)	(\$3,000,000)
Municipal Auditorium - KC	\$0	(\$1,500,000)	(\$1,500,000)
Kemper Arena - KC	\$0	(\$1,500,000)	(\$1,500,000)
St. Louis Sports Authority	\$0	\$0	\$0
Total of Above	\$0	(\$12,500,000)	(\$12,500,000)

Oversight assumes any fiscal impact for the St. Louis Sports Authority would not be realized by the state until FY 2005, since the state is prohibited from appropriating or transferring monies to any fund of the authority prior to the 2005 fiscal year of the state. **Oversight assumes the \$8 million annual appropriation will commence in FY 2005.**

Officials from the **University of Missouri** state that the proposed legislation will have little or no fiscal impact upon the university.

In related legislation from this year, the **Department of Economic Development** assumed the proposal would not fiscally impact their agency.

FISCAL IMPACT - State Government FY 2002 FY 2003 FY 2004
 (10 Mo.)

GENERAL REVENUE

<u>Costs</u> - annual appropriation for Harry S. Truman Sports Complex*	\$0	(\$6,500,000)	(\$6,500,000)
<u>Costs</u> - annual appropriation for municipal auditorium in Kansas City*	\$0	(\$1,500,000)	(\$1,500,000)
<u>Costs</u> - annual appropriation for sports arena in Kansas City*	\$0	(\$1,500,000)	(\$1,500,000)

<u>FISCAL IMPACT - State Government</u>	FY 2002 (10 Mo.)	FY 2003	FY 2004
<u>Costs</u> — Office of Administration for issuance of bonds for Univ. of Missouri Basketball Arena			
Debt Service	(\$2,930,000)	(\$2,930,000)	(\$2,930,000)
Paying Agent Fees	(\$2,000)	(\$2,000)	(\$2,000)
Personal Service (0.25 FTE)	(\$6,965)	(\$8,567)	(\$8,781)
Fringe Benefits	(\$2,321)	(\$2,855)	(\$2,927)
Expense & Equipment	(\$1,042)	(\$1,288)	(\$1,326)
<u>Total Costs</u> for University of Missouri Basketball Arena**	(\$2,942,328)	(\$2,944,710)	(\$2,945,034)
<u>Costs</u> - annual appropriation for multipurpose facility in St. Louis City*	\$0	(\$3,000,000)	(\$3,000,000)
ESTIMATED NET EFFECT TO THE GENERAL REVENUE FUND *	<u>(\$2,942,328)</u>	<u>(\$15,444,710)</u>	<u>(\$15,445,034)</u>

* SUBJECT TO APPROPRIATION

****Does not include one-time costs of \$150,000 per issue. Date and frequency of issues is unknown at this time.**

<u>FISCAL IMPACT - Local Government</u>	FY 2002 (10 Mo.)	FY 2003	FY 2004
VARIOUS KANSAS CITY AND ST. LOUIS CITY SPORTS STADIUM AUTHORITIES			
<u>Revenue</u> - appropriation from state's general revenue fund for Truman Sports Complex	\$0	\$6,500,000	\$6,500,000
<u>Revenue</u> - appropriation from state's general revenue fund for Savvis Center	\$0	\$3,000,000	\$3,000,000

<u>FISCAL IMPACT - Local Government</u>	FY 2002 (10 Mo.)	FY 2003	FY 2004
<u>Revenue</u> - appropriation from state's general revenue fund for Municipal Auditorium	\$0	\$1,500,000	\$1,500,000
<u>Revenue</u> - appropriation from state's general revenue fund for Kemper Arena	<u>\$0</u>	<u>\$1,500,000</u>	<u>\$1,500,000</u>
TOTAL ESTIMATED EFFECT TO VARIOUS KANSAS CITY AND ST. LOUIS CITY SPORTS STADIUM AUTHORITIES *	<u>\$0</u>	<u>\$12,500,000</u>	<u>\$12,500,000</u>

***Income to Local Governments would be Subject to Appropriation. Totals do not include annual appropriations to the Greater St. Louis Sports Facilities Authority that could not exceed 8 million dollars annually. Appropriations to any fund established for the Authority could not be made until the State's fiscal year 2005 which is not within the scope of this fiscal note.**

FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

DESCRIPTION

This proposal authorizes funding for several sports and entertainment facilities in Missouri. The proposal creates the Greater St. Louis Sports Facilities Authority, which is authorized to construct and own a new baseball stadium for lease to the St. Louis Cardinals. The Authority is also authorized to issue bonds to fund the construction of the new stadium. The proposal authorizes a maximum state appropriation, starting after FY 2004, of \$8 million per year for up to 35 years for the state's portion of funding the stadium project and all related expenses of the stadium and the Authority; the balance of the project funding must come from non-state sources (e.g. city, county, Cardinals). Prior to the initial issuance of bonds for construction of the new stadium, the proposal requires that the Authority receive local matching funds from non-state sources in an amount equal to one year's sales tax revenues attributable to sales at Busch Stadium. Additionally, no bonds may be issued by the Authority until the Cardinals owners have signed a commitment to donate the land and \$100 million to the stadium project. Interest on bonds issued by the Authority is exempt from state income tax and bonds issued by the Authority must be publicly, not privately, sold.

DESCRIPTION (continued)

The proposal specifies that the Authority owns the naming rights to the publicly-owned stadium and shall negotiate a full fair market value price for the sale or lease of such rights. Naming rights revenues are to be expended for Authority operating costs, reimbursement to the state (in the event state sales tax revenues produced by the project do not meet or exceed the state's annual appropriations), early retirement of bonds issued by the Authority, and capital improvements to the stadium. The Cardinals may reasonably reject any name proposed for the stadium.

The proposal requires the Cardinals to manage and supervise the stadium construction project, lease the stadium for at least 40 years, pay annual rent of at least \$1.5 million, and pay construction cost overruns. The proposal prohibits the sale of personal seat licenses and contains requirements on seating availability and restrictions on ticket price increases. In the event the Cardinals relocate during the lease, they must reimburse the state for all state appropriations made prior to the relocation.

The proposal also authorizes an annual appropriation for the Harry S Truman Sports Complex (home of the Kansas City Chiefs and Royals) of \$6.5 million, in addition to amounts previously authorized. It authorizes an annual appropriation for Savvis Center (St. Louis) of \$3 million. It authorizes an annual appropriation for Municipal Auditorium (Kansas City) of \$1.5 million. And, it authorizes an annual appropriation for Kemper Arena (Kansas City) of \$1.5 million.

The proposal also creates the Educational Athletics Facilities Program which authorizes the Missouri Health & Educational Facilities Authority to issue up to \$35 million in bonds for a new basketball arena at the University of Missouri-Columbia. The total project cost must not exceed \$75 million and an irrevocable private donation of at least \$25 million from a single source must be deposited with the University prior to any bonds being issued for the project. The University must raise \$10 million of the cost.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Office of Administration
 Division of Accounting
 Budget and Planning
Department of Economic Development
University of Missouri

NOT RESPONDING: Department of Revenue, Office of the State Treasurer, Jackson

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**County Sports Complex Authority, City of Kansas City, City
of St. Louis, St. Louis County.**

A handwritten signature in black ink, appearing to read "Jeanne Jarrett". The signature is written in a cursive style with some loops and flourishes.

Jeanne Jarrett, CPA
Director
April 20, 2001